

Nursery Products Purchased by Landscape Contractors

Sales & Use tax notice

Livestock, nursery stock, poultry and other farm or nursery products, which are grown and sold by the farmer or nurseryman, are exempt from Tennessee sales and use tax. When these products are not grown by the farmer or nurseryman, they are also exempt from tax if the farmer or nurseryman derives at least one-half of his/her annual gross proceeds from products which he/she does grow. If the farmer or nurseryman derives less than one-half of his/her annual gross proceeds from products which he grows, then only those products actually grown by him/her are exempt from sales tax. Tenn. Code Ann. Section 67-6-301(a).

Landscape contractors are not liable for use tax on nursery products that are exempt from sales tax when sold by the farmer or nurseryman. See Tenn. Code Ann. Section 67-6-209(c). Farmers and nurserymen are liable for collecting sales tax when they sell nursery products which do not qualify as exempt. If farmers and nurserymen are not required to collect sales tax on the sale of the nursery products, then landscape contractors are not required to remit use tax on the nursery products when they are used in the performance of a contract.

Since landscape contractors are not liable for use tax on nursery products that are exempt from sales tax when sold by the farmer or nurseryman, there is no reason for the farmer or nurseryman to collect sales tax from landscape contractors on these purchases.

Tennessee law requires all dealers to make reports and preserve suitable records of all sales and purchases. Records of Tennessee farmers and nurserymen must show whether products they sell are grown by them or purchased and resold by them. Landscape contractors should maintain records of all purchases of items used in the performance of their contracts, including the purchases of nursery products from farmers and nurserymen. For purchases of nursery products made outside of Tennessee, the landscape contractor must obtain a written statement from the out-of-state dealer that the products were grown or produced by him, and therefore qualify as exempt.

Have questions or comments? Please let us know. [Contact us.](#)

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